

Message Text

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ACTION EUR-12

INFO OCT-01 AF-06 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 INT-05 /101 W

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R 262130Z FEB 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 8950

INFO USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMCONSUL TORONTO VIA POUCH

AMCONSUL WINNIPEG VIA POUCH

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E.O. 11652: N/A

TAGS: EMIN, EINV, CA

SUBJ: SASKATCHEWAN POTASH INDUSTRY TAKEOVER

1. IN OTHERWISE UNEVENTUAL AFTER-DINNER ADDRESS IN OTTAWA TO MINING ASSOCIATION OF CANADA ON FEBRUARY 25, ENERGY, MINES AND RESOURCES MINISTER GILLESPIE MADE FOLLOWING REFERENCE (WITH SOME FERVOR) TO POTASH INDUSTRY: BEGIN QUOTE. IN MY TALKS WITH PRESIDENT ORTOLI OF THE E.E.C. LAST WEEK, I RAISED THE QUESTION OF OUR FOREIGN INVESTMENT POLICY. I BELIEVE THERE IS GROWING UNDERSTANDING AND ACCEPTANCE OF THIS POLICY IN EUROPE, THOUGH I MUST ADMIT THAT THE SHORTSIGHTED ACTION OF THE SASKATCHEWAN GOVERNMENT TO TAKE OVER THE POTASH INDUSTRY HAS CAUSED GREAT CONCERN AND CONFUSION ABROAD. IT HAS DONE CANADA NO GOOD. IT HAS DAMAGED OUR REPUTATION. THE FACT THAT IT WILL LIKELY SCARE THOSE WHO MIGHT HAVE MADE AN INVESTMENT SASKATCHEWAN IS OF COURSE A LOSS TO SASKATCHEWAN,

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BUT ALL CANADIANS, TO SOME EXTENT, WILL SHARE IN THAT

LOSS. END QUOTE.

2. FOR MINING ASSOCIATION MEMBERS, GILLESPIE'S STATEMENT WAS PROBABLY HIGH POINT IN HIS ADDRESS AND WAS RECEIVED ENTHUSIASTICALLY.

3. IN PRE-DINNER CONVERSATION KNOWLEDGEABLE EMR OFFICIAL COMMENTED TO ECON COUNSELOR THAT GOC STILL WRESTLING WITH QUESTION OF REPLY TO U.S. AIDE MEMOIRE. HE ECHOED SHANNON'S COMMENT (OTTAWA 610 NOTAL) THAT POTASH ISSUE MUST BE CONSIDERED IN CONTEXT OF WHOLE GAMUT OF FEDERAL/PROVINCIAL RELATIONS AND SUGGESTED THAT, IN THIS CONTEXT, SOME GOC DEPARTMENTS ATTACH LESS PRIORITY TO POTASH ISSUE THAN EMR DOES.

4. ACCORDING TO MONTREAL GAZETTE OF FEBRUARY 26, MINING ASSOCIATION PRESIDENT POWIS CONFIRMED THAT ASSOCIATION HAS TRIED UNSUCCESSFULLY UNDER CONSTITUTIONAL POWER TO DISALLOW PROVINCIAL LEGISLATION IT CONSIDERS NOT IN THE NATIONAL INTEREST. POWIS SAID A CHECK BY THE ASSOCIATION SHOWED NO LEGISLATION HAS BEEN OVERTURNED UNDER THIS POWER SINCE THE 1940'S AND "I GUESS IT'S GETTING A LITTLE RUSTY".
ENDERS

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